

Message Text

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E.O. 11652: GDS

TAGS: ENRG, IT

SUBJECT: US-ITALY ENERGY WORKING GROUP:
ITALIAN DRAFT JOINT STATEMENT

REF: A) ROME 1385; B) STATE 11317

FOR ASSISTANT SECRETARY ENDERS

1. DEPARTMENT HAS REVIEWED AND DISCUSSED WITH ERDA AND
EXIM THE MIGLIUOLO DRAFT CONTAINED IN REF A. THE DRAFT
CONTAINS SEVERAL SIGNIFICANT MODIFICATIONS OF SUBSTANCE
IN THE AREAS OF URANIUM AND ENRICHMENT AND REPROCESSING--
E.G., OBJECTIVES OF NATURAL URANIUM RESOURCE EVALUATION
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(NURE) PROGRAM COOPERATION; A CONSIDERABLY BROADENED "BEST

EFFORTS, NATURAL URANIUM SUPPLY OFFER; SUGGESTED REFERENCE TO US OFFER AT WASHINGTON ENERGY CONFERENCE TO EXAMINE THE SHARING OF ENRICHMENT TECHNOLOGY. HELFRICH OF ERDA IS OUT OF THE COUNTRY UNTIL JANUARY 30 AND IN HIS ABSENCE WE HAVE RECEIVED ONLY PRELIMINARY REACTIONS TO ABOVE PROPOSALS. THEIR INITIAL REACTION, HOWEVER, IS NEGATIVE. FOLLOWING ARE OUR SPECIFIC COMMENTS KEYED TO PARAS OF REF A FOR USE IN YOUR JANUARY 29 MEETING WITH MIGLIUOLO. (NOTE: BRIEFING PAPER PREPARED FOR THE MEETING BEFORE RECEIPT OF REF A IS CONTAINED AS TAB 10 IN ASSISTANT SECRETARY ENDERS GB BRIEFING BOOK.)

2. INTRODUCTION (PARA 1 AND 2): INTRODUCTORY PARAGRAPHS CONTAIN TWO NEW ELEMENTS -- 1) REFERENCE TO THE FEBRUARY/ MARCH 1975 EXCHANGE OF LETTERS BETWEEN PRESIDENT FORD AND PM MORO ON THE SIGNIFICANCE OF THE IEA PROGRAM FOR ACCELERATED DEVELOPMENT OF ALTERNATIVE ENERGY SOURCES; AND 2) AN EXPRESSION OF "US WILLINGNESS TO EXTEND ITS FULL SUPPORT FOR CARRYING OUT" THE ITALIAN PROGRAM. REMAINDER OF TEXT CLOSELY RESEMBLES OUR DRAFT AND APPEARS TO BE ACCEPTABLE, ALTHOUGH LANGUAGE APPEARS SOMEWHAT STILTED IN PLACES. ITALIANS HAVE CONSISTENTLY REFERRED TO EXCHANGE OF MESSAGES BETWEEN PRESIDENT FORD AND PM MORO AS THE GENESIS OF THE EWG, AND IT MAY BE DIFFICULT AT THIS POINT TO DELETE THE REFERENCE. IT WOULD LIKELY LEAD TO THE REQUEST FOR PUBLIC RELEASE OF THE TEXT OF THESE LETTERS, WHICH HERETOFORE HAVE NOT BEEN AVAILABLE. RE EXPRESSION OF "FULL US SUPPORT", WE WOULD SUGGEST DELETION OF "FULL" AND ADDITION OF "WITHIN THE LIMITS OF GOVERNMENTAL CAPABILITIES", WHICH SIMPLY CONFIRMS THAT OUR ABILITY TO ASSIST IS IN MANY RESPECTS LIMITED.

3. FINANCING (PARA 3): WE HAVE DISCUSSED FINANCIAL TEXT WITH EXIM AND AGREE THAT REFERENCE TO AMOUNT OF MONEY TO BE RAISED IN US AS WELL AS ESTIMATED COST OF PROGRAM SHOULD BE IN FIRST PARAGRAPH OF FINANCIAL PART OF STATEMENT. STATEMENT WOULD THUS READ:

"ITALY AND UNITED STATES AGREE THAT CAPITAL AVAILABILITY WILL CRITICALLY AFFECT EFFORTS BY OIL-IMPORTING
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NATIONS TO REDUCE DEPENDENCE ON IMPORTED OIL THROUGH THE DEVELOPMENT OF ALTERNATIVE ENERGY SOURCES. THE TWO COUNTRIES HAVE HELD EXTENSIVE TALKS ON THE FINANCING OF THE ITALIAN NUCLEAR PROGRAM. ITALY HAS EXPRESSED INTEREST IN RECEIVING UP TO \$3.5 BILLION OF THE ESTIMATED PROGRAM COST OF \$16 BILLION FROM U.S. FINANCIAL SOURCES. BOTH SIDES RECOGNIZE THAT LARGE AMOUNTS OF BOTH PUBLIC AND PRIVATE CAPITAL WILL BE NECESSARY FOR SUCCESSFUL

IMPLEMENTATION OF THE PROGRAM.

"THE EXPORT-IMPORT BANK OF THE UNITED STATES IS WORKING WITH ITALIAN FINANCIAL AND TECHNICAL PERSONNEL TO HELP SECURE THAT PORTION OF THE EXTERNAL CAPITAL TO BE RAISED IN THE U.S. FOR THE ITALIAN NUCLEAR PROGRAM. THE BANK HAS AGREED TO ASSIST ITALY IN ITS CONTACTS WITH U.S. PRIVATE INVESTORS, WHILE CONFIRMING ITS OWN INTEREST IN PARTICIPATING DIRECTLY IN THE FINANCING OF U.S. EQUIPMENT EXPORTS FOR THE ITALIAN PROGRAM."

4. URANIUM (PARA 4): NURE PROGRAM: ITALIAN TEXT ADDS AS AN OBJECTIVE OF NURE COOPERATION "POSSIBLE PARTICIPATION ... IN MINING ACTIVITIES IN THE US" - TEXT WAS RECEIVED GARBLED AND MIGLIUOLO MIGHT BE ABLE TO CLARIFY. HOWEVER, NEITHER WE NOR ERDA SEE ANY RELATIONSHIP BETWEEN ITALIAN PARTICIPATION IN THE ERDA RESOURCE EVALUATION PROGRAM AND PARTICIPATION IN PRIVATE MINING ACTIVITIES OVER WHICH ERDA HAS NO CONTROL. "BEST EFFORTS" OFFER: ITALIANS HAVE ADDED AN ENTIRE PARAGRAPH WHICH WOULD EXTEND THE UNDERTAKING SIGNIFICANTLY BEYOND WHAT ERDA HAS AGREED TO. WE MIGHT OBTAIN ERDA AGREEMENT TO LANGUAGE WHEREBY IT WOULD OFFER TO FACILITATE CONTACTS WITH US MINING FIRMS (AS IS DONE IN ENRICHMENT AND REPROCESSING SECTORS), BUT THERE IS REALLY NOTHING THAT ERDA CAN DO TO FACILITATE AGREEMENTS OR JOINT VENTURES WITH US FIRMS. FURTHERMORE, IT IS PREMATURE TO TALK OF ACCESS TO A NATURAL URANIUM OR ENRICHMENT SERVICE STOCKPILE SINCE USG HAS NOT YET MADE ANY FINAL DECISION IN THESE AREAS. AS FOR THE OPTION OF OBTAINING ENRICHED URANIUM FROM ERDA WITHOUT SUPPLYING THE REQUIRED NATURAL URANIUM, ERDA IS UNABLE TO MAKE SUCH A GUARANTEE. FINALLY, ITALIAN REQUEST FOR ASSURANCE RE EXPORT OF URANIUM PROCURED IN US UNDER "BEST EFFORTS"

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OFFER SEEMS SUPERFLUOUS SINCE US TEXT ALREADY STATES THERE ARE NO RESTRICTIONS ON WHERE THE NATURAL URANIUM MAY BE ENRICHED -- I.E., USSR, EURODIF. MOREOVER, US CANNOT GUARANTEE FUTURE EXPORTS OF DOMESTIC URANIUM AT THIS TIME.

5. ENRICHMENT AND REPROCESSING (PARA 5): RE PURPOSE OF BILATERAL CONSULTATIONS, MIGLIUOLO TEXT (SUB-PARA B) GOES CONSIDERABLY BEYOND THE LANGUAGE ACCEPTED BY ERDA -- I.E., "A FRAMEWORK FOR POSSIBLE FURTHER COOPERATION . . . IN ATTEMPTING TO ENSURE THAT FUTURE ENRICHMENT AND REPROCESSING REQUIREMENTS ARE MET." ERDA IS RELUCTANT TO GO BEYOND PREVIOUSLY AGREED LANGUAGE. WITH REGARD TO SUB-PARA C REFERENCE TO REPORTED "US PLEDGE AT WASHINGTON ENERGY CONFERENCE TO MAKE POSSIBLE THE TRANSFER OF ENRICHMENT

RELATED TECHNOLOGIES," WE WOULD NOTE THAT ACTUAL WORDING OF SECRETARY'S STATEMENT WAS AS FOLLOWS: "WITHIN A FRAMEWORK OF BROAD COOPERATION IN ENERGY THE US IS PREPARED TO EXAMINE RPT EXAMINE THE SHARING OF ENRICHMENT TECHNOLOGY . . ." THE CONDITIONS UNDER WHICH SUCH SHARING MIGHT TAKE PLACE WITH THE ITALIANS --I.E., STEP-BY-STEP APPROACH-- WERE SPELLED OUT IN DETAIL AT BOTH AUGUST 25 TECHNICAL EWG SESSION AND SEPTEMBER 5 EWG MEETING AT WHICH MIGLIUOLO WAS PRESENT. IF MIGLIUOLO PERSISTS IN SEEKING REFERENCE TO THE WASHINGTON ENERGY CONFERENCE STATEMENT, WE WOULD HAVE TO RETURN TO THE PRECISE TEXT OF THE SECRETARY'S SPEECH. KISSINGER

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